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BASE OPERATIONS SUPPORT (BOS) COMPETITIVE SOURCING AND PRIVATIZATION: HOW ARE WE DOING?

by

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Preface

Across the Air Force, the rapid growth of Competitive Sourcing and Privatization (CS&P) has presented many unique challenges that must be solved to ensure expected cost savings are achieved and effective mission support is provided to the warfighter. This is particularly true in outsourced Base Operations Support (BOS) service contracting where different base support services have been consolidated into one large BOS contract. The focus of this research is to highlight problems in BOS program and contract management, examine innovative leading-edge BOS programs, and suggest ways to optimize cost savings and improve future BOS management. I selected this topic based on personal experience in BOS program management and my continuing interest and hope for the long-term success of a cooperative government-private industry partnership that better supports the warfighter community. This research will hopefully inform, encourage, and assist leaders and managers, especially at the base-level, as it is they who must lead this paradigm shift to commercially provided BOS services.

I would like to thank Lt Col Cass Hatcher, my ACSC faculty research advisor for all his support, guidance, and direction. I would also like to thank ACCs Program Management Squadron, AETC's MAJCOM and Maxwell Air Force Base staff, and the 45th Space Wing's Joint Performance Management Office (JPMO) for the valuable information they shared about their leading-edge BOS Programs. Finally, I would like to thank the many others who contributed information, ideas, and suggestions.

Abstract

Throughout the 1990s, the Air Force has been at the forefront of the DoD Competitive Sourcing and Privatization (CS&P) revolution. As defense budgets continue to shrink and force modernization needs increase, the Air Force is turning to outsourced Base Operations Support (BOS) services as a key opportunity for cost savings and improved efficiencies. Enormously diverse both in size and complexity, the consolidation or "bundling" of separate base services into one large BOS contract has been steadily growing across the Air Force. These BOS initiatives range from CONUS main operating bases (MOBs) to forward operating bases (FOBs), air stations, and remote radar sites in the US and in foreign countries. Accordingly, many different government program/contract management organizational structures have been created to manage contractor performance—some more successful than others.

Many of the early BOS challenges grew out of the initial rush to outsource coupled with the lack of a comprehensive Air Force-level strategic direction/policy to organize, educate, and train personnel and facilitate the radical paradigm shift to commercially provided BOS services. In turn, these have resulted in fewer cost savings and less effective BOS management than could be realized. The thesis of this research is that significant cost savings and improved BOS support to the warfighter can be achieved, but only through careful organizational restructuring, strong investment in personnel education/training, and continuing BOS process improvements.

To support this, the paper will highlight recurring problems in BOS program management in areas such as government organization/team structure, Performance Work Statement (PWS)

development, Quality Assurance Evaluation (QAE), and contract administration. Next, it will discuss recent improvements in Air Force acquisition reform and policy guidance such as Performance-Based Service Acquisition (PBSA), and Business Requirements Advisory Groups (BRAGs) and suggest how they are helping to transform and institutionalize outsourcing and commercial business practices across the Air Force. It will then examine three successful leading-edge BOS programs that are taking BOS management to the next level.

Research methods used to complete this project include: a survey of Federal, DOD, and Air Force policy, directives, and instructions; studies by RAND, GAO reports and congressional testimony; inspection/audit results from DoD IG, Air Force Audit Agency, and the Air Force Inspection Agency; a review of related periodicals; and interviews at Air Staff, MAJCOM, and other agencies with key personnel involved in formulating and implementing Air Force CS&P strategies.

There were some limitations in the study. First, there was a lack of detailed historical data available to accurately measure and assess the effectiveness of government BOS program management or contractor performance and, in turn, their overall effect on a base's military readiness. Second, many organizations had not yet developed BOS performance metrics or did not use them. This made it difficult to baseline and compare (over time) performance improvements and true cost savings. Third, some reports contained sensitive information that the responsible agency did not want to be published.

Chapter 1

Competitive Sourcing and Privatization Background

The Air Force is committed to pursuing outsourcing and privatization initiatives across our service…we are stepping back and taking a broad look across our service to identify opportunities to produce a better Air Force, based on excellence in processes and performance in both combat and support areas that will provide the air and space capabilities required for the future.

—Gen Ronald Fogleman

Introduction

Since 1955, the DoD has been encouraged to obtain commercially available goods and services from the private sector through competitions when such action was cost-effective. However, over the years, numerous changes in law inhibited DoD's outsourcing efforts. Then, following the Cold War, shrinking defense budgets, force downsizing, and the lack of procurement money for modernization led to a relaxing of some legislative restrictions in 1996, thus sparking renewed interest in outsourcing. Today, at the forefront of DoD's outsourcing revolution, the Air Force is aggressively pursuing Competitive Sourcing and Privatization (CS&P) to free up dollars for its highest priorities—especially modernization. As defense budgets have continued their decline, the Air Force has turned to outsourced Base Operations Support (BOS) services as a key opportunity area for huge cost savings and improved efficiencies. Enormously diverse—both in size and complexity—the consolidation or "bundling" of separate base services into one large BOS contract has been steadily growing

across the Air Force. These BOS initiatives range from CONUS MOBs to FOBs, air stations, and remote radar sites in the US and in foreign countries. Accordingly, many different government BOS program/contract management organizational structures have been created to oversee/manage contractor performance—some more successful than others.

Many early BOS challenges grew out of the initial rush to outsource coupled with the lack of a comprehensive Air Force-level strategic direction/policy to organize, educate, train, and facilitate the radical paradigm shift to commercially provided BOS services. In turn, these have resulted in fewer cost savings and less effective BOS management than could be realized. The author believes that significant cost savings and improved BOS support to the warfighter can be achieved, but only through careful organizational restructuring, strong investment in personnel education/training, and continuing BOS process improvements.

Competitive Sourcing is designed to maximize the cost-effectiveness and efficiency, thus enhancing mission capability by utilizing services available in the commercial sector (commercial activities). The government retains ownership and control of the activity. On the other hand, **Privatization** is the actual transfer of control/ownership of a target business asset and/or associated activity from the public sector to the private sector. The government gives up responsibility and control of the activity. Another essential feature of Privatization is that the long-term financial investment to sustain the activity is shifted to the private sector.[1] Although most common Base Operations Support (BOS) services fall under Competitive Sourcing, other areas such as base housing and utilities and those installations affected by Base Realignment and Closures (BRACs) are becoming Privatized, with a host of possibilities for strategic alliances to be formed with a number of players. This paper will limit discussion to those BOS activities related only to Competitive Sourcing.

Beginning in 1997, the Air Force established four principal CS&P goals: *(1) sustain readiness, (2) improve performance and quality by doing business more efficiently and cost-effectively, (3) generate funds for force modernization, and (4) focus personnel and resources on core Air Force missions*.[2] To achieve these ambitious goals, the expanded outsourcing of BOS services was viewed as a key area for potential improvements and future cost savings. Since every Air Force installation has an extensive and well-developed service support infrastructure, the possibilities for outsourcing various combinations of support services are substantial. However, because the initial wave of CS&P was implemented so quickly (before clear Air Force-level policy and detailed guidance were available), MAJCOMS and bases developed their own, often ad hoc, approaches to select candidate activities for outsourcing. Even more problematic was the requirement to follow a cumbersome, bureaucratic, and slow A-76 process while at the same time trying to develop (often from scratch) quality Performance Work Statements (PWS), Quality Assurance Surveillance Plans (QASPs), and contracts. This often resulted in an ambiguously worded military specification/military standard (MILSPEC/MILSTD) "how to" work statement developed separately from a "compliance oriented" military inspection checklist QASP—both, which were disconnected from the legally binding service contract instrument.

Fortunately, recent acquisition reforms and steady improvements in government (Federal, DoD, and Air Force) statutory guidance and policy direction have led to overall improvements in CS&P and BOS management. Today, Performance Based Service Acquisition (PBSA) and Business Requirements Advisory Group (BRAG) initiatives offer the promise to achieve all four CS&P goals—and most importantly—to optimize support to the warfighter. Perhaps, even more promising are the many leading-edge practices and innovations coming from a growing number

of Air Force BOS management organizations. Successful BOS implementation by these organizations is putting the theory into practice and helping pave the way for future BOS improvements.

With this CS&P and BOS framework in place, Chapter 2 will begin by discussing some of the problems in defining, comparing, and measuring BOS activities. Second, it will outline some key recurring BOS program management and contract administration problem areas. Chapter 3 will examine recent initiatives in acquisition reform and top-level Air Force policy direction (e.g., PBSA and BRAGs) aimed at improving BOS management. Chapter 4 will then discuss three innovative BOS management organizations—ACC's Program Management Squadron (PMS), AETC's "Pick-A-Base" (PaB) concept, and NASA & AFSPC's collaborative effort resulting in the Kennedy Space Center - Patrick AFB Joint Performance Management Office (JPMO). These suggest where BOS may be heading in the future. Chapter 5 will contain the conclusion and recommendations.

Notes

[1] Air Education and Training Command CS&P Webpage, on-line Internet, 25 September 2000, available from https://www.aetc.af.mil/xp/xpm/FAQs.html.

[2] Air Force Policy Directive (AFPD) 38-6, *Outsourcing and Privatization,* 1 September 1997, 12.

Chapter 2

Base Operations Support Problem Areas

Analyzing your present culture is like going to history class, when you could learn more valuable stuff from studying the future…Cultural change should be guided by where the organization needs to go, not by where it's been.

—Price Pritchett
High-Velocity Culture Change

This chapter is broken down into two parts. The first centers around the difficulties in trying to define, compare, and measure the costs and performance of outsourced BOS services. The second discusses some recurring BOS problem areas that need to be solved to improve BOS management for the future.

Problems in Defining and Measuring BOS

BOS services are generally those functions necessary to support, operate, and maintain DoD installations. Although the Office of Management and Budget (OMB) identifies 29 different services (see Appendix A) as base support functions, the DoD does not have a generally accepted definition for them, nor do the military services. Without the framework of a common definition, it is difficult to measure the size and cost of the base support workforce. Yet, there is a clear need to do so since DoD estimates that BOS activities cost more than $30 billion in fiscal year 1997.[1]

Numerous studies including the 1993 Bottom-Up Review, Quadrennial Defense Review, Defense Reform Initiative, and National Defense Panel have concluded that together, DoD could achieve the largest savings by using a single "Omnibus" (i.e., "bundled", "umbrella", or BOS) contract, instead of several smaller contracts to encompass multiple BOS services.[2] This has fueled the growing interest in BOS all across the DoD. In particular, the Air Force is projecting a 20-percent cost saving of $1.26 billion—most from the outsourcing of BOS functions between fiscal years 1998 and 2003, and based on prior outsourcing experience that projected an average 29-percent savings, this number is conservative.[3] However, because no common understanding of BOS exists, attempting to compare services between contracts and installations (or even between the military services) to accurately identify what services are included or excluded is extremely difficult. For example, the Army developed its "Service Base Costing" methodology (reflecting spending, not budgets) to better understand where its installation support money was being spent. A subsequent cost study examined two years of spending data in 95 different base service areas (both contracted out and organic) at every Army installation. Based on analysis of these data performed by the Institute for Defense Analysis, results showed "There was no systematic tendency for increased contracting to be associated with reduced costs".[4]

In contrast, the Air Force is boasting of many successes coming out of its A-76 competitions. After 1,399 competitions in 10 years, it has claimed cost avoidance of over $9 billion, manpower reductions of over 37,621 full-time equivalents, and average 38 percent cost savings (whether contract bid awarded in-house or contract).[5] Table 1 illustrates some examples of BOS manpower savings.

Table 1: BOS A-76

BASE	PRE	POST	SAVINGS	DECISION
Patrick (FY 98)	118	69	42% ($2M)	In-house
Wright Patterson (FY 98)	503	254	50% ($14M)	Contract
Vandenberg (FY 98)	211	142	33% ($3M)	Contract
Columbus (FY97)	341	227	33% ($6M)	In-house
Tyndall (FY 97)	1034	666	36% ($18M)	Contract
Laughlin (FY 96)	278	187	33% ($6M)	Contract
Goodfellow (FY 94)	277	176	36% ($1M)	In-house
Niagara Falls (FY 90)	117	75	36% ($2M)	Contract

Source: Briefing, Air Force Manpower and Innovation Agency (AFMIA), subject: Air Force A-76 Good News, Undated, 7.

Another problem in measuring cost savings (single BOS contracts for multiple base services) is that there is no requirement do so once a commercial activities study has been completed.[6] Moreover, since contracts are continually being modified and changed, the cost data from initial commercial studies quickly becomes obsolete. Indeed, the total costs of outsourcing are difficult to measure for other reasons as well. For example, a study by RAND found that, "Because outsourcing influences management and monitoring costs, long-term investment needs, and the strategic focus of the organization in addition to the short-term direct costs, its overall costs and benefits must be carefully evaluated."[7] Nevertheless, the study also demonstrates that the development of long-term partnerships does not require more people or time than managing large numbers of (less trusting) arm's-length relationships, but is likely to require a more professional and highly trained staff.[8]

In short, this lack of a common understanding within the DoD of what BOS is and how it can be measured and priced, makes it hard to validate and justify claims of savings and generate greater support for expanded BOS outsourcing. Yet despite these problems, a very important consideration of BOS is that each base or installation is unique in terms of its mission, infrastructure, location, and many other factors. Therefore, decisions about what activities to

outsource and how to arrange the BOS service area groupings should be carefully tailored around the unique requirements of each installation and the mission(s) it performs. Likewise, it is essential that serious attention be directed to establishing the optimal government organization to perform program management and contract administration after the contract is awarded. The next section will examine these in more detail.

Recurring BOS Program Management and Contract Administration Problem Areas

In its' guide, *Best Practices For Contract Administration,* the OFPP cited several weaknesses in contract administration practices. Some of these included: improperly trained officials performing contract oversight; unclear roles/responsibilities of technical representatives; unclear statements of work that hinder contractor performance; the lack of a well-defined relationship between the contracting officer and program personnel; inadequate surveillance and monitoring of contracts; and contracting officials allocating more time to awarding contracts rather than administering them.[9] Moreover, a RAND research brief argues that, "…without significant managerial and organizational changes, the Pentagon will have a difficult time applying the lessons it has learned in these initial competitive sourcing experiences to large segments of its uniformed and civilian workforce."[10] Indeed, these kinds of problems can often be traced back to weaknesses in how the government team was selected, organized, educated and trained. In turn, these have led to poor quality work statements, inadequate quality assurance surveillance, and difficulties in contract administration.

Government Team. There is no standard government organizational structure to manage BOS contracts. Even so, based on the greater size, complexity, and diversity of BOS contracts, it is essential to have a well educated, trained, and experienced team of cross-functional experts

who are knowledgeable of commercial industry philosophies and practices: these are foundational to efficient and effective BOS management. Strong teamwork and partnering must occur both internally (one team, one goal, one voice) and externally between the government and the commercial service provider. Unfortunately, the traditional Air Force organizational structure, culture, and functional specialization are resistant to this.

In fact, the Defense Science Board stated that one of the main impediments to outsourcing and privatization is the "resistance of the DoD culture to fundamental change."[11] Influenced by the bi-polar Cold War experience, the military warfighters' thinking has been focused on readiness and the ability to carry out successful military operations—cost consciousness and process efficiencies have taken a backseat. To support this Cold-War thinking, the military built a "stovepipe" system of functional specialization (for both officers and enlisted) that has remained largely unchanged since WWII. Hence, critical in-depth knowledge and appreciation of commercial philosophies and business practices are quite foreign to most "blue-suiters". An article in the Air Force Logistics Management Agency's (AFLMA) *Issues and Strategy 2000* is especially critical in addressing the need for change. It stated, "The time has come for military officers to stop rowing against the tide and plunge into the world of privatization.…The uniformed military needs a vastly expanded pool of well-trained professionals…to be effective, these military braintrusts *must* have true expertise in real world military operations, public sector privatization lessons learned, federal law and policy issues, as well as a thorough knowledge of commercial capabilities in the private sector."[12] The article goes on to suggest that instead of sending our best and brightest officers to intermediate and senior service schools, it might be better to send them to institutions such as the Wharton School of Business. This would be followed by internships with cutting-edge businesses whose success is centered on information

management, outsourcing, and a complex web of suppliers.[13] The bottom line is the government team—as it is currently educated, trained, and experienced—is ill prepared to fully capitalize on the many opportunities that exist through commercially provided BOS services. Accordingly, one of the most urgent areas requiring this commercial understanding is base-level program management and contract administration.

It must be emphasized that the organizational structure created to manage BOS contracts varies tremendously across MAJCOMs and between bases. Thus, the generic BOS management model discussed here will be the Program Management Office (PMO). This generally would include a military officer (or civilian equivalent) Program Manager (PM) and Deputy PM and a PM staff that may consist of functional specialists (e.g., civil engineering, supply, transportation, etc.), program analysts, financial managers, quality assurance evaluators, manpower and quality advisors, or others. The Contracting Officer (CO) and other contracting administrators may or may not be part of the PMO but, in any case, should always work closely with the PMO on all phases of the contract.

A key aspect of effective BOS management lies in how the PMO is organized in terms of the types of skills/specialties, grades, and numbers of people (military/government civilian mix). Indeed, a big problem of BOS management is that the Air Force has developed no standard officer specialty to serve in the capacity of PM. Thus, the typical PM may come from a variety of career fields and be assigned with little or no education or training in commercial industry practices and/or service contracting. For instance, the author has experienced a situation where officers from four different career fields (civil engineering, logistics plans, supply, and acquisition) were successively assigned to the same PM position: none had any formal education, training, or prior hands-on experience in outsourced BOS services. This lack of experience

coupled with inconsistent direction given to the contractor led to serious disagreements and broken trust that ultimately resulted in the contractor winning a sizable lawsuit against the Air Force.

Likewise, other members of the PMO, (usually enlisted or civilian functional specialists) though very experienced in their core specialties, often have little experience dealing with contractors using commercial practices. Also, when several single base services are consolidated into one large BOS contract, a PMO's responsibilities and span of control quickly grow in size and complexity. Add to this increased requirements for quality assurance, contracting, manpower, finance, legal, and multiple end user customers' requirements, along with contractor/subcontractor technical and management issues, and the job can become overwhelming. The management difficulties in 'bundling' multiple single service contracts and into a single large BOS contract is underscored by the following AFAA audit.

In this case five separate contracts were combined into one contract valued at $35 million that supported 22 base organizations. The key problems identified were:

1. Due to the magnitude of the consolidated acquisition, the PM was not fully prepared to monitor the fund status for the numerous organizations receiving support.
2. Contracting personnel had reserved, competed, and awarded the contract to a small business. Consequently, the PM could not adequately assist contractor personnel who were inexperienced with maintaining the multi-tier cost schedules necessary to accurately report operations.
3. The Quality Assurance Director did not implement an effective QAP. Functional Area Chiefs (FACs) did not always report or document contract surveillance. FACs did not promptly develop and submit Functional Area Surveillance Plans or nominate quality assurance personnel.[14]

In this example, the PMO, Contracting Office, and Quality Assurance Office were not working effectively together as one, unified team.

In building an effective PMO there are some fundamental questions to consider such as: What kind of PMO organizational structure will work best based on the types/numbers of

consolidated services and base's mission(s)? How does one effectively involve and integrate all the different base functionals, end user customers, QAEs, and contracting officials to carry out cradle-to-grave BOS program/contract management? Who is ultimately going to be in charge and responsible to bring all these diverse elements together? The author contends that based on the diverse workload and associated management complexities, it is important that a single PM be responsible for overall BOS management. Such unity of command is central to efficient and effective base-level BOS support to the warfighter. An important question that remains unanswered, however, is what career field is best qualified to manage the unique, multi-faceted skills BOS demands?

Performance Work Statement (PWS) Development. The OFPP says that the PWS should describe the specific requirements the contractor must meet, the standard of performance for the required tasks, and the level of quality the government expects the contractor to provide. However, it should not include detailed procedures that dictate how the work is to be performed but instead, should center on what is to be performed.[15] Certainly, an accurate, complete, and well-written PWS is probably the most critical element to ensure the government customer gets what it pays for. Yet, the stories still abound concerning poorly written, ambiguously worded, and unclear old-style Statements of Work (SOW). Again, the causes for these are rooted in the traditional differences between the government and commercial ways of doing business coupled with not enough education, training, and reinforcement to transition away from the military approach. The military (MILSPEC/MILSTD) based "how to" technical orders are very different than the commercial industry's flexible ever-changing commercial practices. Learning to speak the same language has been a slow process as the following examples illustrate.

An AFAA audit of custodial services found, "…personnel did not establish custodial standards…22 buildings…received, but did not qualify for, daily cleaning services."[16] Revising the contract to meet current Air Force Civil Engineering Standards Agency could save nearly $400,000 over six years.[17] Similarly, a GAO study of BOS contracts at 10 DoD installations identified that, "…a well-defined performance work statement is the key to meeting these [results-oriented] requirements and preventing excessive modifications to contracts and unanticipated cost increases.[18] On the positive side, as the government shifts it's emphasis from what/how the work is performed to the results/outcome, improved PWS's should result.

Quality Assurance Evaluation. At the heart of measuring and documenting how well the contractor is performing (both negative and positive incentives) lies the QAE function. Properly performed QAE is essential to enable the PM and CO to accurately assess all aspects of contract performance including operations and maintenance, business management, and technical and engineering performance. However, once again recent experience has shown that government QAE oversight of the contractor's work is deficient in a number of ways. A recent Air Force AFAA audit of a housing maintenance contract found, "the quality surveillance plan (QASP) was not properly developed, and the quality assurance evaluator (QAE) did not correctly document all inspections."[19] Accurate and complete QASPs and documentation of inspection results is essential to effective contract administration and good working relations with the contractor.

Trust is another key element of QAE. A RAND study on commercial practices in Facility Management (FM) found that the degree of mutual trust between the FM service buyer and seller determined the potential for mutual gain. Without trust, the relationship tends to be adversarial and the focus is on close control with a reliance on many QAEs to ensure execution.

Consequently, the relationship is typically short-term with frequent contract rebids and changes in providers.[20] This is not too different from the way the DoD has traditionally carried out QAE and it needs to change to become a cooperative partnership based on shared goals and outcomes.

Another important aspect to consider about QAE is that too much monitoring of the contractor's performance can be costly. A 2000 RAND study on *Strategic Sourcing* found that, "Customers may have a strong compulsion to track many different dimensions of operational performance and cost, feeling that it is necessary to maintain control and to verify that their providers are achieving the agreed-upon level of performance within the specified budget".[21] However, this control comes at a price, since in the end the government customer pays for all information used to monitor service providers (e.g., Contract Data Requirement Lists) and the time they spend examining this information. Therefore, customers only hurt themselves by requesting any information that is not essential to make important decisions.[22]

Contract Administration. Once the PWS and QASP have been written and the contract source selection made, it is the quality of contract administration that ultimately determines the success or failure of outsourced BOS. As such, of all the members of the government program/contract team, the Contracting Officer probably maintains the most influential role. Based on their warrant to obligate government funds, they have a special responsibility to ensure the government gets all the services it has contracted and paid for. Indeed, they are the central players in developing commercial business plans, acquisition strategies, and advising, training, and supporting the other government team members in carrying out BOS management. And since they are the contract experts, they are more and more being relied on to ensure others

become knowledgeable of commercial industry practices and changes to acquisition/contract requirements.

Nonetheless, these high expectations may be unrealistic for several reasons. First, the normal heavy contracting workload makes it difficult for COs to keep themselves fully appraised of the latest acquisition reforms much less find time to train the PMO. Second, the government typically does not provide training on the ever-changing commercial practices and how they might influence the customer. Third, depending on the complexity of the service area, the CO may not have the technical background to provide advice on military versus commercial practices.

In any event, it is essential that the contracting office closely team with the PMO every step of the way. Together, they must ensure that all parts of the source selection and follow-on management (e.g., PWS, QASP, incentives, etc.) are fully integrated, completely understood, and properly executed by all parties, including the contractor.

Regarding future outsourcing, as the size and number of outsourced BOS contracts increases, the responsibilities of the contracting office and CO are certain to grow as well. However, in making the transition to BOS, the CO has a new ally to assist them. Of growing importance is the role of Manpower and Organization (MO) as an ongoing advisor or full member of the PMO. The MO is expected to play a key role to educate, train, facilitate, strategic plan, and guide the development of performance metrics for BOS contracts. Following the integration of the old Total Quality Management program into the MO career field, they now have responsibility for planning/advising and facilitating organizational and functional process improvements, productivity enhancement studies, commercial industry best-practices, wartime manpower requirements support, and others. The MO is also the focal point for performance

management planning at the wing and MAJCOM levels.[23] Thus, the MO should be relied on to facilitate the integration of strategic performance goals of the warfighter with all the base support functions, no matter who provides the service (contract or MEO). Moreover, this could also help encourage the cultural paradigm shift to seamless integration of commercially provided BOS services.

This chapter discussed some of the central areas for improvement of outsourced BOS. The next chapter will examine Air Force efforts underway to improve the quality and success of BOS management.

Notes

[1] General Accounting Office Report, *Base Operations, DOD's Use of Single Contracts for Multiple Support Services,* GAO/NSIAD-98-82, February 1998, 1.

[2] Ibid, 2.

[3] General Accounting Office Report, *Base Operations, Challenges Confronting DOD as It Renews Emphasis on Outsourcing,* GAO/NSIAD-97-86, March 1997, 7.

[4] Briefing, Institute for Defense Analysis, Stan Horowitz and Peter Evanovich, subject: A Serendipitous Analysis of Contracting Out, October 2000, 6.

[5] Briefing, AFMIA, subject: Air Force A-76 Good News, 2.

[6] General Accounting Office Report, *Base Operations, DOD's Use of Single Contracts for Multiple Support Services,* GAO/NSIAD-98-82, February 1998, 3.

[7] James Brian Quinn, and Frederick G. Hilmer, "Strategic Outsourcing," *Sloan Management Review,* Summer 1994, 43-45, ed. Ellen M. Pint, and Laura H. Baldwin, RAND Report, "Strategic Sourcing, Theory and Evidence from Economics and Business Management." 1997, 39.

[8] Ibid.

[9] Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration*. October, 1994, 4, 7.

[10] RAND Research Brief, *Does Competitive Sourcing Pay Off?: The DoD Experience,* on-line Internet, 22 February 2001, available from http://www.rand.org/publications/RB/RB7536/.

[11] "Outsourcing and Privatization," Defense Science Board Task Force, Office of the Under Secretary of Defense for Acquisition and Technology, August 1996, 7A.

[12] Col R. Philip Deavel "The Political Economy of Privatization: Its Impact On The American Military," Article from Air Force Logistics Management Agency report, *Issues and Strategy 2000, Contractors on the Battlefield,* December 1999, 41.

[13] Ibid.

[14] Air Force Audit Agency, *Launch Operations and Support Contract 30th Space Wing Vandenberg AFB CA,* Audit No. WP000062, 22 June 2000, 3 and 7.

Notes

[15] Office of Federal Procurement Policy, *A Guide to Best Practices for Performance-Based Service Contracting,* October 1998, 15.

[16] TIG *[The Inspector General]* Brief, November-December 2000, 7.

[17] Ibid.

[18] GAO Report. *Base Operations, DOD's Use of Single Contracts for Multiple Support Services*. GAO/NSIAD-98-82, February 1998, 11.

[19] TIG Brief, September-October 2000, 7.

[20] RAND, *Commercial Sourcing: Patterns & Practices in Facility Management,* Undocumented Briefing, May 1997, 24.

[21] Laura H. Baldwin, Frank Camm, and Nancy Y. Moore, RAND, *Strategic Sourcing: Measuring and Managing Performance,* Documented Briefing, 2000, 56.

[22] Ibid.

[23] Air Force Management and Innovation Agency, *Performance Management Lesson Plan,* April 2000, 4, 13-14.

Chapter 3

Improvements in Acquisition Reform and Air Force CS&P Policy

> *It is the policy of the Defense of Defense (DoD) that, in order to maximize performance, innovation, and competition, often at lower cost, performance-based strategies for the acquisition of services are to be used wherever possible…Those cases in which performance-based strategies are not employed should become the exceptions.*
>
> —J.S. Gansler

Of the nearly $200 billion that the government spends annually through contracts, services account for about half of this total.[1] Over the past seven years, many improvements have been made to the statutory and regulatory structures overseeing procurement policy. In this regard, the OFPP has been pursuing acquisition reform to ensure full implementation of key practices to move the government closer to the commercial model:

- Making contractor performance a substantial factor in contract administration and source selection;
- Encouraging contractors to innovate in deciding how to perform the work and tying payment to performance;
- Using new contracting tools to obtain up-to-date technology and better prices.[2]

Performance-Based Service Contracting

Before implementing these changes, in 1994 the OFPP sponsored a Performance-Based Service Contracting (PBSC) Pilot Project to test PBSC methods on contracts for recurring services (that were not performance-based) and measure the impact of PBSC. The goal was to test the hypothesis that PBSC saves money and to encourage contractor performance that better

supports mission attainment. Twenty-seven agencies and four industry groups representing over 1,000 companies endorsed the project. Overall, 26 contracts ($585 million value) from 15 agencies that were due to expire were resolicited using PBSC methods. The project's findings were based on before-and-after comparison and measured effects on price, performance, competition, audit workload, and procurement lead-time.[3] The results were as follows:

1. Price: On average, contract price decreased by 15-percent.
2. Performance: Customer (agency) satisfaction with the contractor's performance improved over 18-percent. Ratings were obtained on five factors: quality; quantity; timeliness; cost effectiveness; and overall performance. Significantly increased customer satisfaction was reported on all criteria.
3. Competition: The average number of offers increased from 5.3 to 7.3.
4. Audit Workload: The total number of contract audits decreased 93-percent.
5. Procurement leadtime: Average total procurement leadtime increased by 38 days (from 237 to 275) and average solicitation-to-award leadtime increased by 33 days (from 140 to 173). However, almost half of the contracts experienced decreases or remained the same. The overall increase was expected since agencies had to develop new PWSs, performance standards and quality assurance plans, and incorporate untried and significantly different contracting methods to apply PBSC.[4]

While the overall study results are impressive, a closer look at one of the individual projects illustrates the kinds of improvement opportunities that PBSC offers.

The US Navy applied PBSC to a $350 million five-year contract for aircraft maintenance support for 357 T-34C and T-44A Trainer aircraft at 12 locations.[5] Important changes made by the Navy included:

1. PWS: Separate tasks were defined and offerors fixed prices for each task. The minimum work statement would read, "provide FAA-certified personnel and facilities to perform scheduled and preventative maintenance in accordance with manufacturers' publications, FAA directives, and U.S. Navy maintenance engineering directives over a range of aircraft quantities.
2. Measurable performance-based metrics were then imposed (e.g., aircraft 80 percent mission capable; ground abort rate less than 5 percent; flight schedules met 100 percent, etc.).
3. Streamlined acquisition procedures were used for the solicitation and best-value award procedures were applied. A draft RFP was issued seeking industry inputs on alternatives to military specifications and standards. In response many were deleted—some with no

replacement, others were replaced with commercial standards (ISO 9000 series), and mitigating language was applied to the remainder.

4. Under the contract, the contractor is held to a high standard of performance and is empowered to use the best commercial practices and management innovation to continually improve performance.
5. The contract provided both positive and negative incentives based on quantifiable standards. On the positive side, material management functions were turned over to the contractor. Materiel is purchased on a cost reimbursable basis, but the contractor can earn a 15 percent incentive for cost avoidance. On the negative side, the contract is priced at a ready for training rate of 75 percent. If this is not met, contract price is reduced proportionately (e.g., a 60 percent training rate would result in a 20 percent reduction in contract price). This encourages optimum contractor performance in a critical customer area.[6]

This conversion to performance-based contracting resulted in immediate savings of $25 million from the previous nonperformance-based contract, and the Navy expects even more savings through positive and negative contract incentives.[7] Comments from the Pilot study participants have been incorporated into the OFPP PBSC Solicitation/Contract/Task Order Review Checklist which is listed in Appendix B.

In light of PBSC's early successes, the Federal Acquisition Regulation (FAR) has been changed to include PBSC. FAR 37.601 defines the requirements of a performance-based contract as:

- Requirements described in terms of results required rather than to methods of performance of the work.
- Use of measurable performance standards (i.e., terms of quality, timeliness, quantity, etc.) and quality assurance surveillance plans.
- Procedures for reduction of fee or for reductions to the price of fixed-price contract when services are not performed or do not meet contract requirements.
- Use of performance incentives where appropriate.[8]

Likewise, senior DoD leadership has embraced PBSC. On 5 April 2000, the Under Secretary of Defense (Acquisition, Technology and Logistics) directed all DoD departments and agencies to acquire 50 percent of all services, measured both in actions and dollars, in a performance-based manner by the year 2005.[9] In concert with this, the SAF/AQ sponsored an Acquisition

Reform Reinvention Team with the goal to revolutionize Air Force service contracting. To accomplish this, they have developed policies, procedures and tools to remove barriers to implementing commercial practices. They also created an Air Force Service Contract Advisory Group (AFSCAG) II consisting of functional experts for the particular service and contracting personnel from all levels (Air Staff, MAJCOM, Wing) and commercial contractors. They have also written a new AFI (63-124) titled *Performance-Based Service Contracting (PBSC)*.[10] Moreover, in June 2000, the USAF issued a Performance-Based Service Acquisition (PBSA) Implementation Plan that outlined current USAF PBSA policies, procedures and initiatives. This included a massive education/training effort to ensure quality assurance personnel, the functional communities, and others from the HQ USAF level down to individual Air Force installations understood and began applying PBSC to meet the 50 percent 2005 goal.[11] These aggressive initiatives suggest that better quality performance-based PWSs, QASPs, and contracts should result and lead to improved BOS management.

Business Requirements Advisory Groups

In order to institutionalize PBSC, the Air Force had to overhaul how it contracted for services. Therefore, a new instruction (AFI 63-124) was written to firmly establish the framework and procedures for effectively executing PBSC. It established the concept of the Business Requirements Advisory Group (BRAG) as the means to carry out PBSC. Established by installation commanders, the BRAG is, "A business solution team that consists of cross functional personnel that plan and manage service contract outcomes to the satisfaction of its customers."[12] BRAGs plan and manage service contracts throughout the life of the requirement. Working together, BRAG members conduct market research, define requirements, develop the contract structure, and set up the quality/surveillance approaches. In addition, the BRAG has

responsibilities for acquisition planning, development, and performance management for new (including A-76 studies) and follow-on service contracts.[13] An example of a notional BRAG organization structure is in Appendix C.

One big advantage of the BRAG is that its organizational structure is flexible and can be tailored to fit the needs of an individual base. BRAGs can also be centralized for regional, MAJCOM, or combined MAJCOM type acquisitions.[14] For BOS contracts, this flexibility is essential. Moreover, the standardized structural framework of BRAGs that brings together the PMs, Contracting Office, Manpower, Legal, Financial, and functional communities could help improve cooperation and coordination on the government side of BOS.

However there are some downsides to the BRAG. The flexibility built into BRAGs can also lead to too little structure on the roles, responsibilities, and boundaries for the different organizations represented in the BRAG. Moreover, the larger, more diverse and complex the BOS, the greater the management challenges leaving the question—Who's in charge? The CO cannot do it, the MO cannot do it, and a functional specialist may not have the proper background, education/training or experience to do it. Furthermore, AFI 63-124 does not address who can or should do it. Based on their extensive project management experience and the many similarities between procurement acquisition and services acquisition (e.g., PMOs, Integrated Product Teams), the acquisition officer may be a good choice. However, since they do not normally perform BOS-type services-based acquisition and are not usually assigned to the base-level, more study is needed to see what role they could play.

In any case, senior Air Force leaders see the creation of BRAGs as a positive step toward implementing PBSC across the Air Force. The next chapter will examine three leading-edge

BOS management programs that could serve as models for more effective and efficient BOS organization and management.

Notes

[1] Deidre A. Lee, Administer for Federal Procurement Policy. Statement Before the Subcommittee on Government Management, Information and Technology Committee on Government Reform, United States House of Representatives. 16 March 2000, 1.

[2] Ibid, 2.

[3] Office of Federal Procurement Policy (OFPP). *A Report on the Performance-Based Service Contracting Pilot Project,* May 1998, 4.

[4] Ibid, 4-5.

[5] John, William A. "Performance-Based Contracting for Aircraft Maintenance", *Exhibit 10, The Positive Results of OFPP's Performance-Based Service Contracting Pilot Project,* May 1998, 3; on-line Internet, 24 Oct 2000, available from http://www.arnet.gov/Library/OFPP/PolicyLetters/Other/pbscexhibit10.html.

[6] Ibid, 3-5.

[7] Ibid, 5.

[8] Federal Acquisition Regulation 37.601, in USAF *Performance-Based Services Acquisition (PBSA) Implementation Plan,* June 2000, 4.

[9] J.S. Gansler, Under Secretary of Defense, Acquisition, Technology and Logistics, memorandum for Secretaries of the Military Departments, Directors Defense Agencies, Director, Defense Logistics Agency, subject: Performance-Based Services Acquisition (PBSA) 5 Apr 2000.

[10] Briefing, Maj Brian Bellacicco, SAF/AQC, "Performance-Based Service Contracting", to Navy ACE Workshop, 15 March 1999, 8-9.

[11] USAF *PBSA Implementation Plan,* June 2000, 6.

[12] AFI 63-124, *Performance-Based Service Contracts (PBSC),* 1 April 1999, 10.

[13] SW L3OZR64P4-000, Business Requirements and Advisory Group Training Guide, Contracting and Acquisitions Training Flight, Lackland AFB, Texas, 13 March 2000, 4-5.

[14] AFI 63-124, *Performance-Based Service Contracts (PBSC),* 1 April 1999, 5.

Chapter 4

Leading-Edge BOS Program Management

The legacy of obsolete institutional structures and processes and organizations does not merely create unnecessary cost, which of course it does; it also imposes an unacceptable burden on national defense.

—Donald Rumsfeld

In step with the recent improvements in acquisition reform and Air Force-level CS&P policy guidance, innovative leading-edge BOS program/performance management organizations have emerged and are moving towards building strategic partnerships between the government and commercial service providers. This chapter will highlight three innovative BOS programs, (1) ACC's Program Management Squadron, (2) AETC's Pick-A-Base Concept, and (3) the NASA & AFSPC's Kennedy Space Center-Patrick AFB Joint Performance Management Office.

Air Combat Command's Program Management Squadron

Air Combat Command's Program Management Squadron located at Langley AFB, VA has been in the outsourcing business since the late 1980s. The squadron is ACC's lead organization for directing and managing all aspects of operations, logistics, communications, and engineering for seven large-scale operations and maintenance (O&M) contracts. The organization includes 134 military and civilian staff administering over $840 million in contracts and $3.5 billion in assets at 29 sites in the US and 12 countries. The organization provides a unique cross-functional activity charged with program management of outsourced operational systems.[1]

These systems are operated and maintained through large-scale contracts supporting various government agencies in multinational environments. Overall responsibilities include planning, coordinating, managing, and budgeting services executed by contract and/or international support agreement. Other duties include contract management, certifying performance, and assisting other USAF and ACC agencies in the development, program management, and administration of complex, large-scale contracts.[2] Appendix D shows the organizational structure.

This relatively flat organizational structure depicts seven major functional program and support divisions including Civil Engineering, Computer-Communications, Logistics, Surveillance, Aircraft Maintenance, Plans and Programs and Quality Assurance. The different program managers each receive support from the various functional areas and quality assurance rather than having these personnel embedded into the program management divisions. Other specialized support offices (Information Management, Command Data Management, and Financial Management) are also located within the squadron.[3] The ACC Contracting Squadron provides contract administration. Based on the specialized nature and diversity of their contracts, the PMS maintains a balanced military/civilian mix to ensure program continuity and an infusion of new ideas and experiences.

Education and training are a top priority—assigned personnel receive a variety of on-the-job training, government continuing education, training on commercial standards (e.g., ISO 9000), and also have the opportunity to earn Master's Certificates in areas such as Project Management and Government Contracting from the George Washington University. This education and training is reinforced through writing various PWSs, QASPs, etc. for new and recurring source selections.[4]

For long-term acquisition planning, the PMS's Plans and Programs Division performs strategic planning activities, prepares and coordinates acquisition planning and heads new source selections and recompetitions.[5] A significant benefit of having a separate division to study long-range issues (e.g., mission evolution, commercial industry trends, acquisition reform, etc.) is that it enables program management personnel to focus most of their attention on managing current contracts.

The organization's management was very proactive in communicating information and strategies across programs that were well supported by a robust self-contained functional specialization support structure. Yet, they also maintained a ready capability to contract outside help through consultants (e.g., Army Corps of Engineers, specialized commercial consultants) when additional experience was needed. This "just-in-time" labor approach provided added capability at minimal cost.[6] The PMS has been transitioning to PBSC for new and recurring source selections.

The success of ACC's PMS is evident through the growth in the number of ACC-wide programs within the organization. Also, the synergy gained from lessons learned and best practices within the different programs continues to benefit the squadron's success, making it a useful model for further study of BOS management.

AETC's Pick-A-Base Concept

The Pick-A-Base (PaB) program is Air Education and Training Command's strategic program for competitively sourcing BOS. The PaB concept grew out of "Jump Start" (a 1997 Air Staff initiative to identify potential competitive sourcing candidates) and AETC outsourcing lessons learned. Specifically, AETC found that: (1) outsourcing done without a comprehensive

plan leads to mission fragmentation—and multiple fragmented contracts and MEOs across the command, (2) A-76 studies were very labor and time intensive and transition to MEO or contract was turbulent, and (3) the larger the study, the larger the savings (e.g., 301+ personnel positions yielded average 41 percent savings). Based on these experiences, AETC decided to include as many functions as possible at a base within each A-76 study. It also combined existing contracts where possible. Together, these resulted in a reduction in the number of contracts at each base studied, which in turn, meant larger BOS contracts which would attract world-class bidders and result in higher-class service. Thus, the PaB concept was born.[7]

Maxwell AFB, Alabama is the first of five AETC bases to be competitively sourced under the PaB program. The four other PaBs will be Lackland, AFB, Texas; Sheppard AFB, Texas; Keesler AFB, Mississippi; and Randolph AFB, Texas.[8]

By actively incorporating PBSC principles, AETC is defining requirements in performance-based commercial terms and then monitoring contract performance using commercial methods. Accordingly, AETC is proactively building partnerships between the government and service providers. They do this by using modified cost reimbursement contracts to allow the sharing of savings (between the Government and service provider) and through consolidation of varied facility management services.[9]

Since the PaB concept is so new, it does not yet have the benefit of experience to back-up just how successful the PaB program will be. However, the initial numbers from the Maxwell experience appear promising. For example, although the final service provider outcome (MEO or contractor) is still under review, the overall manpower savings will be more than 300 personnel. Also, a lean PMO staff (9 – 12 people) will be responsible for BOS management. This would include contracting, manpower, and functional specialists covering the various

contracted service functions. Functional specialists would be expected to perform three main duties—functional/technical, performance management, and data analysis.[10] Appendix E shows a notional organizational structure for Maxwell AFB following contract implementation.

Overall, the author believes the approach is sound, but there are still many questions that need to be resolved such as—Should the PMO be structured differently for an MEO versus a contractor win? How will performance monitoring and risk/sharing be carried out? Where will the PMO staff come from? What kinds of education/training will be provided? Who will be in charge of running the PMO (i.e., have authority, responsibility, and accountability)?

Thus far, some of the biggest AETC PaB successes are the aggressive command-wide shift to PBSC and the incorporation of BRAGs. AETC's thorough market research, performance management focus, emphasis on building long-term relationships through strategic partnering with the contractor, and innovative contract incentives/risk sharing are best practices. Another potential success area (though still untested) is the much smaller, streamlined government PMO to perform contractor insight versus the old QAE oversight.

AETC has put tremendous effort into developing a comprehensive PaB program and is committed to ensuring its success. However, they still need a lot of help from the senior Air Force leadership to make this happen. In a recent briefing, the AETC Director of Contracting cited four needs to ensure PaB's successful implementation.

1. A business strategy for competitive sourcing integrated at the Air Force/MAJCOM/Base.
2. A reassessment of small business roles.
3. Cross-functional cooperation starting at the top.
4. A system to make this all happen.[11]

NASA-Patrick AFB: Joint Performance Management Office

The JPMO, a NASA (Kennedy Space Center) and AFSPC (Patrick AFB) Joint partnership was established for contact management of the Joint Base Operation and Support Contract (J-BOSC). These partnering efforts were focused on improving efficiencies and greatly reducing costs to support the nation's spacelift requirements while strengthening the reality of a Cape Canaveral Spaceport. J-BOSC is a PBSC that was awarded in October 1998 and which covers a 5-year base period with one 5-year option valued at approximately $2.2 billion over the 10-year period.[12] It replaced 18 separate base support contracts encompassing over 160,000 acres and three geographically separated locations and saved $35 million through the consolidation.[13] Figure 1 shows the projected savings estimate between J-BOSC and separate contracts.

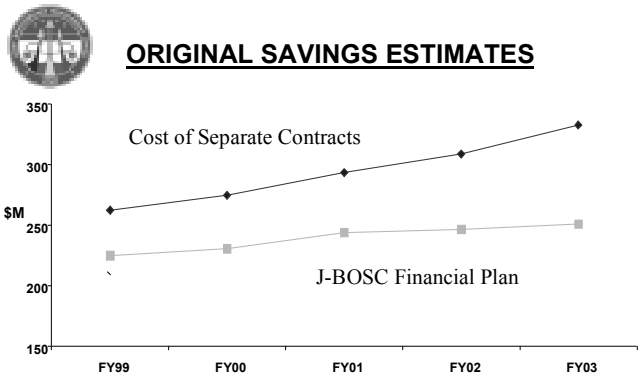

Figure 1: BOS Savings Estimates

Source: JPMO, "2000 Chief of Staff Team Excellence Award", Attachment 4, Narrative, 2.

Military and civilian personnel from NASA and the USAF staff the JPMO and it reports through an executive director to a Board of Directors (BoD) of 45 Space Wing and Kennedy Space Center senior management. Consisting of senior management from both agencies (e.g., financial, contracting, legal, operations & support commanders/directors), the BoD issues policy and guidance for the JPMO.

The J-PMO structure (see Appendix F) is divided into five offices: Executive Management Office; Contracting Office; Staff Office; and Integration Office. Eighteen Integrated Product Teams (IPTs), consisting of JPMO members as lead, with contractor, and stakeholders provide a forum where new requirements can be discussed and contract issues resolved. The IPTs also provide regular customer feedback direct to the contractor, establish performance standards, and perform contract insight (versus the old style notion of QAE oversight).[14]

To ensure unified operations, the JPMO incorporated the best practices of NASA and the USAF to develop a single business system that includes daily operations procedures and a strategic planning system that complies with both NASA and USAF policies. This system was certified ISO 9001 compliant in June 1999.[15]

Besides the huge initial cost savings, the results of the consolidation have been enormously successful toward improving BOS management. For example, earlier contracts required 200 people to perform contract oversight. Now, the JPMO—using insight—requires only 40 NASA and Air Force civilian and military personnel to assess contractor performance.[16] In addition, both agencies have benefited from "one-stop shopping" for customer service. Whether someone needs NASA support or Air Force support, whether they are a government or commercial customer—they only need to call one number for assistance. Perhaps the most important improvement is the 24-hour turnaround on the launch range. They can now have consecutive launches within 24 hours of each other—this had never been done before JPMO was established.[17]

As well, the increased efficiencies gained by J-BOSC have allowed the Kennedy Space Center and the 45th Space Wing to recapitalize and improve infrastructure and allow innovations to improve customer service and satisfaction. It also underscores that "Joint Partnerships" in the

outsourced BOS arena can achieve winning outcomes, not only for the partners, but also for the numerous customers, stakeholders, and service provider contractor as well. The JPMO also effectively communicates updates, announcements, and issues through quarterly "Joint Update Newsletters" and a well maintained Web Site that contains a wealth of useful links including Contract, Award Fee, IPT, and Customer Web Pages.

In summary, the innovative BOS management approaches illustrated in the above examples prove that CS&P can be a success. Similarly, many other DoD organizations have achieved comparable successes with their BOS outsourcing programs. Likewise, as more is learned about commercially provided BOS services, and best practices are learned and shared with others, even greater BOS success can be expected.

Notes

[1] Briefing, ACC Program Management Squadron, subject: Air Combat Command Program Management Squadron, Undated, 4; on-line Internet, 13 January 2001, available from https://wwwmil.acc.af.mil/pms/mission.htm.

[2] Ibid, 2-3.

[3] Ibid, 8.

[4] John Heiser, Deputy Director, ACC Program Management Squadron, interviewed by author, 26 October 2000.

[5] Briefing, ACC PMS, 14.

[6] Heiser.

[7] Talking Paper, Headquarters AETC/XPMBP, 11 January 1999.

[8] Background Paper, Headquarters AETC, *Competitive Sourcing Congressional Discussions,* Undated, 2.

[9] Barbara K. Dobbins, Sharon Lovelace, and Linda R. Lowmiller, 42 CONS, Maxwell AFB, Ala., interviewed by author, 23 January 2001.

[10] MSgt Felix Rodriguez, 42 MO, Maxwell AFB, Ala., interviewed by author, 6 February 2001.

[11] Briefing, Headquarters AETC/Directorate of Contracting, subject: AETC Competitive Sourcing (Pick-a-Base), Undated, 32.

[12] Joint Performance Management Office (JPMO) "Home Page", n.p.; on-line, Internet, 12 December 2000, available from http://www-jpmo.ksc.nasa.gov/.

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[14] JPMO "Home Page", n.p.; on-line, Internet, 12 December 2000, available from http://www-jpmo.ksc.nasa.gov/.

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[15] JPMO, award package, subject: 2000 Chief of Staff Team Excellence Award, Attachment 4, Narrative, Undated, 6.

[16] JPMO, award package, subject: 2000 Chief of Staff Team Excellence Award, Attachment 3, Abstract, Undated, 1.

[17] Lori Weller, JPMO E-mail, 9 March 2001.

Chapter 5

Conclusion and Recommendations

> *Our success to date doesn't mean that our task is complete—on the contrary, so long as inefficient practices still exist—defense reform will remain one of my highest priorities.*
>
> —William S. Cohen

In conclusion, BOS contracting is a unique, complex, and challenging but vitally important Air Force CS&P program that will continue to grow. In it's zeal to quickly implement outsourcing, the Air Force allowed many nonstandard approaches in program management and contract administration that led to problems and negatively impacted costs, efficiencies, and overall BOS performance. However, new Air Force-level CS&P guidance and improved acquisition practices such as PBSC and the widespread establishment of BRAGS suggest more BOS improvements will be forthcoming. Also promising are an increasing number of innovative, leading-edge BOS organizations that are benchmarking and sharing best practices with others.

In assessing the progress in BOS management against the four principal Air Force CS&P goals, one gains a little clearer picture of where we have been and where we still need to go. *(1) Sustain readiness:* At this time, it is too early to say, but if the CS&P promise to free military members to concentrate more on their core competencies holds true, it could provide some badly needed relief. However, there are many unknowns and much more study lies ahead for the manpower, personnel, and other functional communities. *(2) Improve performance and quality*

by doing business more efficiently and cost-effectively: All the CS&P evidence suggests that whether the in-house MEO or contractor bid wins, the service becomes leaner and more efficient. Yet, more study is needed to determine the optimal PMO structures and staffing for monitoring either MEO or commercial contractor performance and ensuring that efficiencies and performance can be maintained and improved over time. *(3) Generate funds for force modernization:* Available Air Force cost data suggests that ousourced BOS is generating significant savings that can be applied toward modernization. Still, many problems must be resolved to improve and continue this positive trend. DoD-wide, there needs to be a common definition and framework for BOS along with a standardized cost accounting system that can generate and track accurate, comparable cost data. Also, it must be remembered that over time, changes in mission requirements, technologies, competitive pressures, politics, and a host of other factors could impact these savings in unpredictable ways. *(4) Focus personnel and resources on core Air Force missions:* Great care must be exercised here to maintain the right balance and mix of highly skilled and motivated airmen necessary to fully meet the needs of the new Expeditionary Aerospace Force. When all is said and done, it is essential that the many promises of outsourced BOS be realized through more effective support to the end user customer—the warfighter.

Overall, the author believes that the Air Force is heading down the right path with BOS CS&P but still has a long way to go. The following seven recommendations are offered to help facilitate greater cost savings and improved BOS management. (1) The Air Force must aggressively ensure that the rules and tools for successful implementation of acquisition reform and CS&P policies (e.g., PBSC) are known and applied everywhere and at all levels. This will require senior Air Force leadership to set the tone and lead the way ahead. Moreover, continued

support from MAJCOMs, and various CS&P support/advisory agencies to base-level BOS managers, will help ensure outsourced BOS services are successful. (2) The Air Force should reevaluate/restructure the PMO organization and practices to optimize its efficiency and effectiveness—but leave it flexible enough to be tailored to best meet a base's support needs and mission requirements. The question, "Who's in charge?" still needs to be answered. The BRAG concept is a good start but it offers no answers on how to organize and build an effective PMO team. (3) Greater emphasis on education and training needs to take place at the base-level PMO on commercial philosophies and business practices. This should result in a more cohesive and capable government (military/civilian) staff that can strategically partner with commercial service providers to provide improved BOS performance at lower cost. It will also require a greater commitment from senior Air Force leadership to provide funding and opportunities for world-class education/training to help build a motivated and professional PMO staff. (4) The Air Force should reevaluate officer, enlisted, and civilian career field job descriptions and core competencies against those required for BOS management. The growing demands of outsourced BOS services demonstrates that the functional career fields now require balanced sets of competencies/skills (core warfighting and contracted mission support) to be most effective both at home station and while deployed. (5) Because commercially supplied BOS services will become the norm in the future, the Air Force must find new ways to influence a cultural shift (within the military/civilian workforce) to actively foster and build long-term relationships with world-class BOS service providers built on mutual trust. Once again, the vision, leadership, and example must begin at the top and permeate through the MAJCOM functional staffs down to the base-level environment. (6) There must also be a shift in emphasis from QAE (oversight) toward performance management (insight). This implies a significant reduction in QA staffs that

currently perform oversight and a corresponding shift based on greater trust and reliance on the contractor's quality control and improvement processes. (7) It will also require improvements and refinements in how incentives (e.g., award fee programs, award terms) are managed to attract, secure, and retain only the best service providers. Furthermore, it must be remembered that this is a two-way street—to attract the best service providers, the Air Force needs to prove itself a trustworthy and reliable buyer of BOS services.

The success of CS&P and outsourced BOS services is important to the Air Force's future. If done right, better managed BOS services can lead to significantly greater cost savings for future procurement, more efficient and effective base support business practices, and improved readiness—all of which can contribute to increased military capability and better support to the warfighter.

Appendix A

BASE OPERATIONS SUPPORT (BOS) FUNCTIONS

Base commercial activities, also called base support, are the functions necessary to support, operate, and maintain Department of Defense (DOD) installations. The revised supplemental handbook to OMB Circular No. A-76 defines base support as the following 29 services:

Natural resource services
Advertising and public relations
Financial and payroll services
Debt collection
Bus services
Laundry and dry cleaning
Custodial services
Pest management
Refuse collection and disposal services
Food services
Furniture repair
Office equipment maintenance and repair
Motor vehicle operation
Motor vehicle maintenance
Fire prevention and protection
Military clothing
Guard service
Electric plants and systems operation and maintenance
Heating plants and systems operation and maintenance
Water plants and systems operation and maintenance
Sewage and waste plants operation and maintenance
Air conditioning and refrigeration plants
Other utilities operation and maintenance
Supply operations
Warehousing and distribution of publications
Transportation management services
Museum operations
Contractor-operated parts stores and civil engineering supply stores

Other installation services

Although OMB's supplemental handbook lists all these functions as base support, DoD does not have a generally accepted definition of base support activities, and the services differ in how they define base support activities. For example, the Army's Cost and Economic Analysis Center identified 122 functions supporting Army installations. The Center for Naval Analyses developed a working definition of 37 different functions supporting Navy installations. Air Force officials do not have a definition for base operating support and functions included as base support may differ across the service. The Marine Corps does not have a standardized definition for base operation support.

Without a common definition of base support, it is difficult to accurately determine the size and cost of DoD's base support workforce. In fiscal year 1994, DoD estimated it had 629,000 military and civilians involved in commercial activities in house. In 1996, DoD revised its inventory and estimated it had about 449,000 personnel involved in those activities. This significant revision reflects a change in what the Air Force considered commercial activities. According to Air Force officials, a number of functions were deleted from the Air Force inventory because DoD considered them inherently governmental. DoD's inventory total also changed, according to officials, because the services had recently surveyed their databases and added and deleted various functions.

Some support services common to military installations are neither part of the A-76 handbook definition nor the services' varied definitions of base support. For example, family housing maintenance and repair is a common base support service. Yet, the A-76 definition of base support does not include family housing maintenance. Further, installation officials told us that they did not consider family housing maintenance a part of base support for budgeting purposes.

Source: GAO Report, *Base Operations, Challenges Confronting DoD as It Renews Emphasis on Outsourcing,* GAO/NSID-97-86, March 1997, 23-24.

APPENDIX B

PERFORMANCE-BASED SERVICE CONTRACING (PBSC) SOLICITATION/CONTRACT/TASK ORDER REVIEW CHECKLIST

The following checklist is provided as a guide that may be used to aid in developing a performance-based solicitation, contract or task order, and to assist in determining whether an existing solicitation, contract or task order may be appropriately classified as performance-based. This checklist is not intended to usurp contracting officer discretion or authority regarding how to structure an acquisition. However, the more an acquisition departs from adherence to the checklist, the less likely the agency will achieve the benefits of improved contractor performance and lower price that PBSC can provide.

This checklist contains minimum required elements that must be present for an acquisition to be considered performance-based. To be effective, these elements must be communicated to potential offerors in time to be considered when developing their proposals. It also contains additional PBSC components important to ensuring the Government obtains the benefits of PBSC and "other considerations" that are not performance-based contracting methods per se but that nevertheless so directly affect the success of PBSC that they are included.

This document is but one tool to assist in developing and assessing PBSC, and it is purposefully not detailed or explanatory. For more fundamental discussions of PBSC, see: Federal Acquisition Circular 97-1; Federal Acquisition Regulation Subpart 37.6; and OFPP's Policy Letter 91-2, "Service Contracting" and "A Guide to Best Practices for Performance-Based Service Contracting." The latter two publications are available from the Executive Office of the President's Office of Publications, 202-395-7332 and the Acquisition Reform Network, www.arnet.gov.

Minimum Mandatory PBSC Requirements

1. Performance requirements that define the work in measurable, mission-related terms.
2. Performance standards (i.e., quality, quantity, timeliness) tied to the performance requirements.
3. A Government quality assurance (QA) plan that describes how the contractor's performance will be measured against the performance standards.

4. If the acquisition is either critical to agency mission accomplishment or requires relatively large expenditures of funds, positive and negative incentives tied to the Government QA plan measurements.

Additional PBSC Components

1. An historic workload analysis is performed, or the workload is estimated if historic data is unavailable, to aid in determining the performance requirements and standards, Government QA plan, and incentives.
2. The solicitation and contract/task order convey a logical, easily understood flow among performance requirements, performance standards, Government QA, and performance incentives.
3. Process-oriented requirements (e.g., job descriptions, education requirements, level-of-effort) and reports are eliminated to the maximum feasible extent.
4. Government QA performance evaluators assigned to assess contractor performance are trained in PBSC.
5. Commercial and/or industry-wide performance standards, where available, are relied upon.
6. The marketplace and other stakeholders are provided the opportunity to comment on draft performance requirements and standards, the Government QA plan, and performance incentives.
7. If the size of the requirement justifies the resource expenditures, potential offerors are given the opportunity to learn more about the "as is" operation to facilitate their ability to develop intelligent proposals.
8. The contract/task order is fixed price.
9. The contract/task order is completion type (vs. term type or level-of-effort).
10. Multi-year contracting authority is used where available.
11. Experience and lessons learned from predecessor acquisitions are used to convert recurring requirements to PBSC.

Other Considerations

12. Past performance evaluations are based on the results of contract QA measurements and incentives, and QA plans are consistent with past performance factors.
13. For recurring requirements that have been converted to PBSC, the effects of conversion are measured (e.g., price, performance).
14. The contract/task order is awarded competitively.
15. Best value evaluation/selection methods are used to award the contract/task order.
16. Informal conflict resolution methods are utilized (e.g., alternative dispute resolution, ombudsman, formal partnering agreements).
17. An umbrella-type contract that has demonstrated significant performance problems, cost overruns, or has included an amount of work that is too great or diverse to be effectively managed by either the Government or the contractor, is broken up into multiple contracts.

Source: Office of Federal Procurement Policy (OFPP), *A Guide to Best Practices for Performance Based Service Contracting,* October 1998, Appendix 3.

APPENDIX C

NOTIONAL BRAG ORGANIZATION

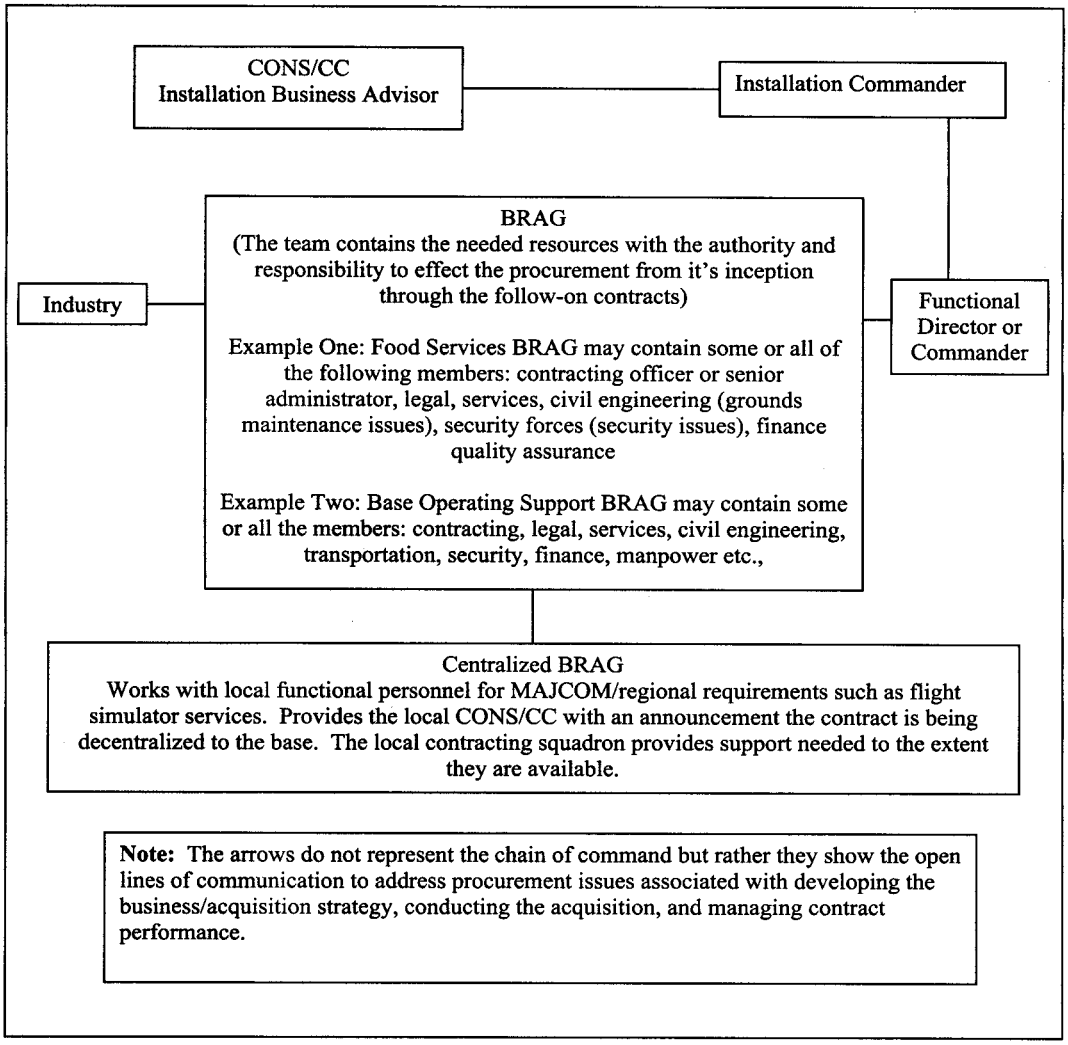

Figure 2: Notional BRAG Organizational Structure

Source: Air Force Instruction 63-124, Performance-Based Service Contracting (PBSC), 1 April 1999, 5.

APPENDIX D

AIR COMBAT COMMAND PROGRAM MANAGEMENT SQUADRON ORGANIZATION

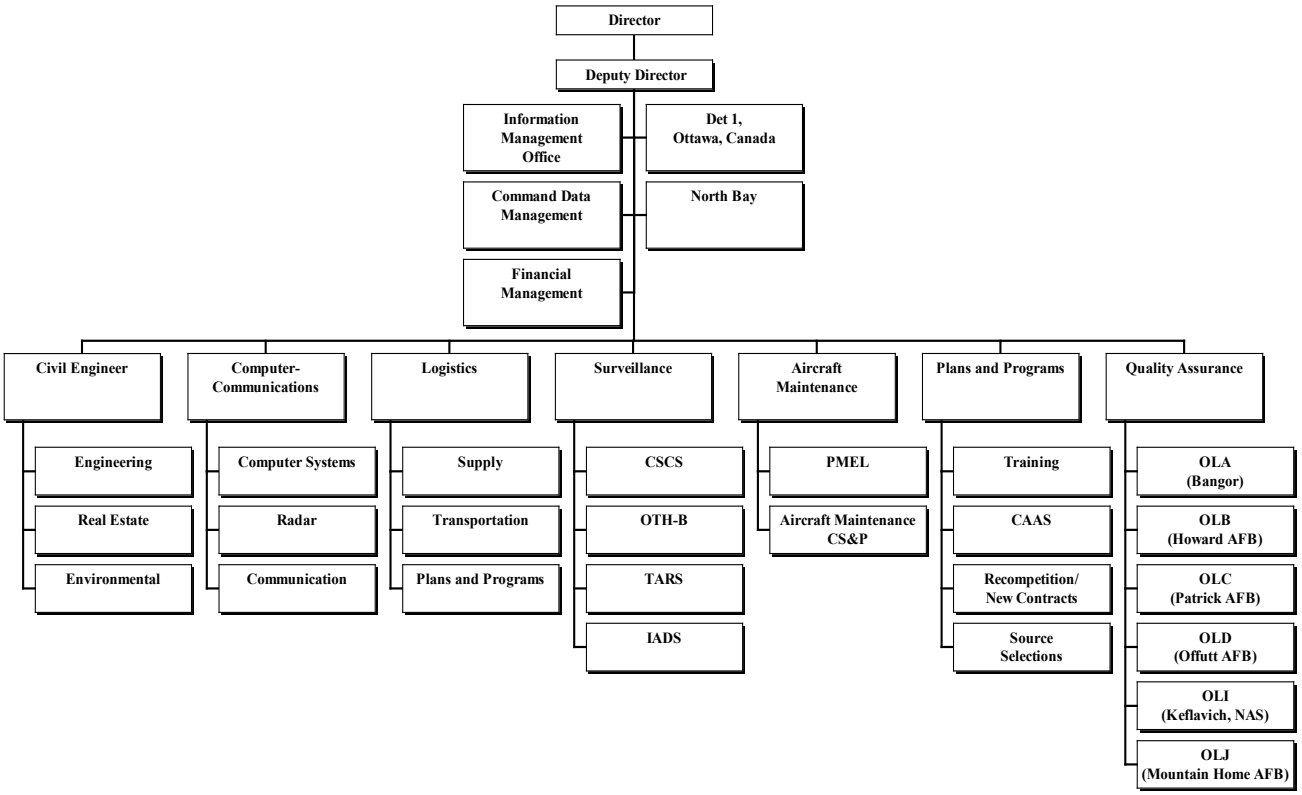

Figure 3: PMS Organizational Structure

Source: Briefing, ACC Program Management Squadron, subject: Air Combat Command Program Management Squadron, Undated, 5; on-line Internet, 13 January 2001, available from https://wwwmil.acc.af.mil/pms/mission.htm.

APPENDIX E

MAXWELL AIR FORCE BASE PROPOSED PERFORMANCE MANAGEMENT FLIGHT ORGANIZATION

Proposed Maxwell
Post A-76 Wing Structure

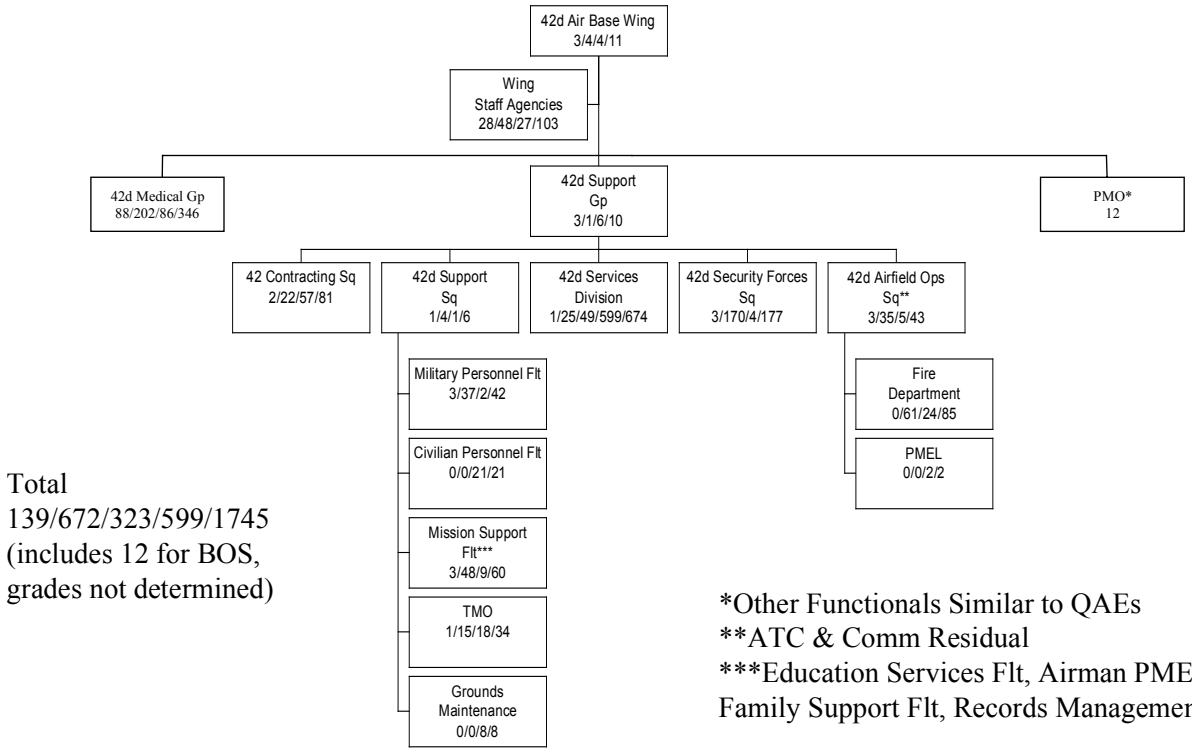

Figure 4: Maxwell Proposed Organizational Structure

Source: Briefing, 42 Manpower and Organization Office, Maxwell AFB Ala., subject: Proposed Maxwell Post A-76 Structure, Undated.

Appendix F

NASA KENNEDY SPACE CENTER AND PATRICK AIR FORCE BASE JOINT PERFORMANCE MANAGEMENT OFFICE ORGANIZATION

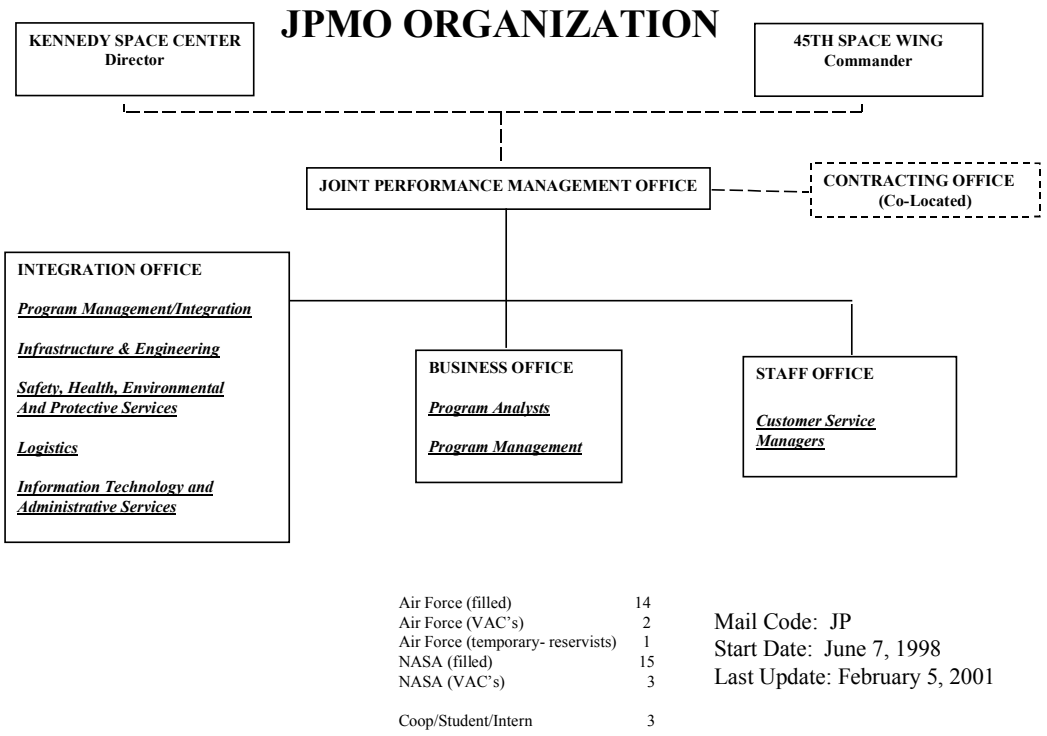

Figure 5: JPMO Organizational Structure

Source: Briefing, Joint Performance Management Office, subject: JPMO Organization, 5 Feb 2001.

Glossary

ACC	Air Combat Command
AETC	Air Education and Training Command
AFAA	Air Force Audit Agency
AFI	Air Force Instruction
AFLMA	Air Force Logistics Management Agency
AFPD	Air Force Policy Directive
AFSCAG	Air Force Service Contract Advisory Group
AFSPC	Air Force Space Command
BOS	Base Operations Support
BRAC	Base Realignment and Closure
BRAG	Business Requirements Advisory Group
CO	Contracting Officer
CS&P	Competitive Sourcing and Privatization
DoD	Department of Defense
FAA	Federal Aviation Administration
FAC	Functional Area Chief
FAR	Federal Acquisition Regulation
FM	Facility Management or Financial Management
FOB	Forward Operating Base
GAO	General Accounting Office
IG	Inspector General
IPT	Integrated Product Team
ISO	International Standards Organization
J-BOSC	Joint Base Operation and Support Contract
JPMO	Joint Performance Management Office
MAJCOM	Major Command
MEO	Most Efficient Organization
MILSPEC	Military Specification
MILSTD	Military Standard
MO	Manpower and Organization

MOB	Main Operating Base
NASA	National Aeronautics and Space Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
PaB	Pick-A-Base
PBSA	Performance-Based Services Acquisition
PBSC	Performance-Based Services Contracting
PM	Program Manager
PMF	Performance Management Flight
PMO	Program Management Office or Performance Management Office
PMS	Program Management Squadron
PWS	Performance Work Statement
QAE	Quality Assurance Evaluator
QAP	Quality Assurance Plan
QASP	Quality Assurance Surveillance Plan
RAND	RAND Corporation
SOW	Statement of Work
USAF	United States Air Force

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